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CHAPTER 5. WEBS OF INFLUENCE: CORPORATE IMPACTS ON GOVERNANCE

David Miller & Claire Harkins

Summary

Economic actors are intensely aware of their image and the reputation of both their brands and the corporation itself. They know that challenges to their reputation can come from a variety of sources, and that corporations, both specifically and generally, are viewed with a fair degree of scepticism by both mass and elite audiences. As a result, transnational corporations increasingly plan strategies to defend their reputation and to protect and extend their market share and political influence.

In understanding governance, we suggest that it is important to properly account for corporate strategy. In doing so, it is necessary to understand that corporate strategies routinely involve the use of both direct and indirect means of influence. Direct include all those strategies targeted at decision and policy makers. Indirect, by contrast, include those where the corporation works to influence a third party (such as consumers, decision makers, regulators or competitors) with the aim of capitalising on this to influence policy.

This chapter examines the literature on governance, arguing that it neglects the study of corporate influences on policy and governance. It then examines the various domains that corporate strategy sets out to dominate and 'capture'. We then move on to examine the relatively new phenomenon of partnership governance in which corporations and others are invited into the state to make policy, obviating the need to lobby for it. This, we suggest, is the ultimate form of capture - the capture not just of this or that policy but of the policy making mechanism itself.

Introduction

Corporations are increasingly prominent public and policy actors. They are intensely conscious of their profile and the reputation of both their brands and the corporation itself. They know that challenges to their licence to operate can come from a variety of sources, and that corporations both specifically and generally are viewed with a fair degree of scepticism by both mass and elite audiences. As a result, they increasingly plan strategies to defend their reputation and to protect and extend their market share and political influence.

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Governance is a newly popular term in policy sciences, which both reflects and constructs changes in how governments work, helping analysts to focus on more than simply institutions of government. Approaches to governance typically go beyond institutional

analysis of government to include other stakeholders involved in the development, implementation and evaluation of policy. The concept of governance is broad and refers to decision-making processes in both public and private sectors, including multiple actors. This is an advantage because, in practice, changes in the state mean that governments are increasingly reliant on other stakeholders for the implementation of governance in the form of policy and public services (Leys 2001). In the area of public health, governance in relation to alcohol, gambling or food is governed by a variety of policy networks. The activity of corporate and economic actors within these networks facilitates relationships with other industry members, policy makers and stakeholder members. This institutionalises the external interests of a particular group within the policy process.

Rhodes (2007) and Kooiman (2003) argue that the governance narrative takes a broader perspective than more institutionally-focused, prior work by recognising the limits of the state and its reliance on other actors to exercise power and to fulfil its obligations. Rhodes states in relation to this that 'the informal authority of networks supplements and supplants the formal authority of government' (Rhodes 2007:6). In the abstract this might appear reasonable, but considered in relation to live policy areas such as alcohol, ethical weaknesses appear. This is particularly the case when there is conflict in the policy process, as is the case when public health measures are opposed by those with vested interests. Because of the assumption of pluralistic policy consensus, Rhodes (2007) underestimates how these interactions and the inherent conflicts between actors shape policy outcomes. The model Rhodes proposes does not appear able to manage disputed ground within policy circles and, rather, assumes an aura of calm and rational negotiation in policy-making.

As a result, the influence of economic actors within modes of governance is often overlooked and regularly underestimated. We argue that in order to understand modes of governance in practice, the behaviour and tactics of corporations in their efforts to facilitate conditions ripe for promoting and defending their business interests must be considered.

Despite these insights into governance, in practical terms limited empirical work exists to show how these relationships and interactions actually work and affect (or not) policy outcomes. Work such as this should start by looking at the strategies of actors in the context of the resources they are able to marshal and not from an assumption of policy consensus. Accordingly, we now turn to outlining the strategies adopted by corporate actors.

Lobbying

Beginning with corporate strategy and following corporate actions, wherever they take us, reveals – amongst other things – that lobbying is widespread in the US and EU – indeed at every level of governance (Dinan and Miller 2008, 2012; Miller and Dinan 2008). Much writing on the topic of lobbying – and indeed official definitions of lobbying – adopt a narrow conception focusing only on direct meetings between lobbyists and decision makers. In reality, it encompasses much wider activities. At each level of governance, lobbyists attempt to influence decisions by capturing policy processes and outcomes. This has been described as 'institutional corruption' or as 'market-driven politics' or 'post-democracy' (Miller, 2015; Leys, 2001; Crouch, 2004). Lobbyists attempt to secure and capitalize on favourable opinions by offering incentives in the form of travel and hospitality, paid and unpaid advisory positions, and – the big prize – board memberships once politicians and senior civil servants leave public service. The 'revolving door' is the term used to describe this phenomenon. Institutional corruption is not a term widely used by theorists of governance, though they do discuss the rise of the 'unelected' in policy making – a

development of which writers such as Vibert (2006), approve. We see this as symptomatic of what Janine Wedel has called 'flex networks', a new development whereby the entanglement of public and private sectors leads to the breakdown of notions of ethical behaviour and the collapse of the ability to police such standards as exist (Wedel, 2009). In more recent work, Wedel (2014) argues that a new 'stealth corruption' has created new forms of unaccountability.

Direct Lobbying

Lobbying can describe any activity that seeks to influence public policy and governments and governance structures. Lobbying is an industry in its own right that is regarded as a sub-sector of the Public Relations industry and is known as 'public affairs' – a terms that masks the generally 'private' nature of lobbying in practice. In the UK the lobbying industry was worth around £1.9 billion in 2009, double its size in early 1990s (Powerbase 2014a). Many lobbyists are former politicians or public officials with contacts and valuable knowledge of the policy domain. Lobbying involves corporate actors, or their representatives, engaging directly with decision makers on key issues in order to persuade them to share the corporate position. This can involve formal meetings, consultations and presentations as well as informal meetings, dinners and hospitality. Direct lobbying is important for corporations; it is, however, only one of a variety of means that corporations have at their disposal to manage various social domains. Indirect lobbying utilises the realms of media, science and civil society.

Indirect Lobbying

Lobbying or corporate public relations campaigns are strategies that include a range of elements, including commissioning reports from think tanks, scientists and academics or utilising the media to shape public opinion. Indirect lobbying has the same aim as direct lobbying which is to affect decision making. It incorporates a wide range of tactics that together contribute important components to the overall lobbying strategy.

Science Capture

Corporations often produce or commission science that they subsequently use in order to advance and support their campaigns. For example, the Centre for Business and Economic Research was hired by SABMiller to provide a report that would be used to undermine the Scottish Government's efforts to introduce a minimum unit price for alcohol. The CBER report found no economic basis for the introduction of minimum pricing and tried to question the established evidence base that supports the policy (CBER 2009). The **Weinberg Group** describes itself as helping 'our clients improve manufacturing processes, clear regulatory hurdles, and defend products in the courts and the media'. Funded by the trade association the Brewers of Europe, the Weinberg Group produced material which was used to undermine public health evidence on alcohol control policy (Anderson & Baumberg 2007). Creating doubt and producing contradictory scientific accounts is a corporate tactic pioneered by the tobacco industry in their efforts to fight threats to their economic interests that emerged from growing awareness on the harmful effects of tobacco (Michaels 2008). There is a growing body of research that suggests industry funded science is more likely to result in favourable results for the funder (Babor and Miller 2014). Attempts to manage science via funding or by attacking inconvenient findings are complemented by attempts to manage media coverage.

Media Capture

The media can be 'captured' by the corporations via the influence of media ownership, advertising, public relations and by attacking critics. Media capture is important for a variety

of reasons, but one of them is in its use in securing policy capture. Media capture is aided by the use of seemingly independent organizations which perform a public relations role for industry at one remove. (Miller 2009)

One example is the Social Issues Research Centre (SIRC), an 'independent, non-profit organisation' that says it carries out 'balanced, calm and thoughtful' research on lifestyle issues such as drinking, diet, and pharmaceuticals. However, it may be perceived that the company acts more like a public relations agency for the corporations that fund its activities. These include Diageo, Flora, Coca-Cola, the Sugar Bureau, Unilever, Masterfoods, GlaxoSmithKline, and Roche, among others. Although SIRC does publish a list of funders, it is not immediately apparent which company has sponsored which study and, in some instances, this information is not included in media reports (cited in Miller and De Andrade, 2010).

Although SIRC's publicity material regularly uses the term 'social scientists' to refer to its own staff, it uses the same personnel and office as a commercial market research company, MCM Research. SIRC's co-directors, Peter Marsh and Kate Fox, work for both organizations. The MCM website used to ask: 'Do your PR initiatives sometimes look too much like PR initiatives? MCM conducts social/psychological research on the positive aspects of your business. The results do not read like PR literature, or like market research data. Our reports are credible, interesting and entertaining in their own right. This is why they capture the imagination of the media and your customers' (cited in Ferriman, 1999). Following the exposure of these links, the SIRC has now subsumed MCM, indicating a very close relationship.

Civil Society Capture

Civil society is often seen as an arena of citizen interests and democratic possibilities. It is certainly true that such groups do exist, are active and can be effective, for example in pushing public health measures. Nevertheless, corporate and corporate linked funded (for example via charitable Foundations maintained by the corporate rich) are very significant components of civil society funding. Think tanks and third party organizations are often used by large corporations to spread and garner support for their position. For example, the pro market, liberal (or 'neoliberal') Adam Smith Institute and the Institute of Economic Affairs (IEA) are multi-year recipients of tobacco industry funding, and the IEA has been in receipt of funds connected to the alcohol, food and retail industries. But these think tanks and many others are not transparent about their links to the corporations, preferring to operate policies of 'donor confidentiality' or to launder funds through secretive 'donor advised' intermediaries (Miller and Harkins 2015: 227-9; Miller et al 2014).

Industry-friendly experts are often recruited to present scientific or complex information as in the case of the American Council on Science and Health (Moynihan 2010). Additionally, groups are sometimes started to launch campaigns apparently independent from industry, such as the recent launch of Action on Consumer Choice in the UK (Doward and Bissett 2014). The use of fake grass roots citizen groups, or 'astroturf' organizations, is a common component of indirect lobbying. These appear to be genuine charitable or grass roots organizations set up by or in the interests of ordinary citizens.

Though civil society is often touted as a means to advance citizen interests, it is quite clear that much of civil society is either conflicted by receipt of corporate or corporate-linked funding (as in the case of some well-meaning groups) or is actively part of corporate strategy (as in the case of astroturf, front groups or neoliberal think tanks).

Policy Capture

Policy capture is the ultimate aim of all of these tactics and strategies of lobbying. This is accomplished by direct contact with decision makers as well as by indirect management of the information environment around decision makers. It is clear that lobbyists supplement the content of their approaches to decision makers by attempting to recruit former politicians and civil servants via the revolving door. This is a chronic problem at national and EU levels, as recent examples in relation to alcohol have shown (Miller and Harkins 2013). But perhaps the most important example of policy capture is the advent of partnership governance.

Self- and Partnership Regulation

Self-regulation has become an important part of the governance of addictions. It has become the dominant paradigm in tackling public health issues arising from the use of addictive products. Partnership governance dissolves the line between corporation and policy maker.

In the UK, an early example was the Portman Group, created in the late 1980s. It was set up by the alcohol industry, reportedly at the suggestion of a Tory peer to stave off the threat of further regulation of alcohol. (Carey 2003) Twenty years later, the same companies who established the group continue to finance it. Its directors are all alcohol industry executives. The Portman Group claims that its role is to promote social responsibility in the alcohol industry, with a particular focus on responsible marketing. It claims to 'show leadership on best practice in the area of alcohol responsibility' and to 'foster a balanced understanding of alcohol-related issues.' (The Portman Group n.d.) In reality the group acts as a lobbyist for the alcohol industry, acting against further alcohol control policy in public and policy debates (Harkins 2010). The Portman Group was also instrumental in the establishment of 'Drinkaware', a national charity to promote responsible drinking and provide alcohol education. Despite claims that Drinkaware is an independent organization, it continues to be funded in its entirety by the alcohol industry. Drinkaware presents a view of alcohol and its abuse which is consistent with the alcohol industry's philosophy, and routinely downplays the serious health and social consequences that alcohol presents to society (Powerbase 2014b).

More recently, self-regulatory bodies have been supplemented with partnership regulation. The EU Alcohol and Health Forum is one example, as is the UK Department of Health's Public Health Responsibility Network Deal (PHRND). The PHRND was said to be intended to develop a platform where economic actors could work with governmental bodies and health professional to develop pledges to promote public health. In practice, the PHRND is dominated by economic actors who commit to voluntary actions that make little or no contribution to improving public health. The alcohol network of the PHRND has been unable to retain public health organizations as contributors or supporters. After initially attending six meetings, the six key civil society groups originally involved refused to participate further in the scheme (Royal College of Physicians 2011); they felt that the interests of economic actors were being put before public health and evidence on meaningful action. The only remaining non-governmental and non-industry core members of the group are a representative from the Association of Chief Police Officers and representatives from the charities Mentor UK and Addaction. Addaction works in partnership with Diageo, the world's largest spirit producer, and ASDA, a supermarket chain (Addaction 2014). Mentor UK also work with and receive funds from Diageo (Mentor UK 2014).

The food network has faced a similar reaction from organizations that work to improve public health. The British Heart Foundation and Diabetes UK felt unable to sign up to the network, stating that the deal was better for industry than for public health. The PHRDN proposals are, as in the case of the alcohol network, narrow and have often already been agreed in other policy circles. The House of Lords Science and Technology Select Committee (2005: 57) has also been critical:

[The] Public Health Responsibility Deal pledge on obesity is not a proportionate response to the scale of the problem... [The Government] should consider the ways in which businesses themselves influence the behaviour of the population in unhealthy ways. If effective measures cannot be achieved through agreement, the Government must pursue them through other means.

The PHRDN, like other partnership-regulatory schemes, does not provide a genuine opportunity to work towards improving public health. The pledges and commitments presented are minor, ineffective and many have been previously agreed. They allow industry a public relations opportunity while requiring them to do very little.

Both self-regulation and partnership regulation appear to favour the interests of the economic actors that produce products which are harmful to human health. Indeed, we can say that in addition to enabling undue corporate influence in policy on alcohol or obesity, the very form of partnership governance gives a structural advantage to economic actors.

Conclusion

Governance can be a useful term for understanding recent transformations in governmental practice because it stretches the conception of decision making to include policy actors outside of the government. However, it can also limit a richer understanding of the conflicts inherent in policy making on addictions when it assumes a consensual policy process. We argue that it is important to focus on the strategies of policy actors in decision making - including, specifically, economic actors. Lobbying is a core function of corporate strategy. Indirect lobbying is used to attempt to exert power and control in varying social domains, while direct lobbying is reserved for decision makers within policy circles (Miller and Harkins 2010). We emphasize corporate strategy and its coherence (although internal tensions within and between corporations are common). We refer to the 'capture' of a range of domains, because it is important to understand that this is a question not only of 'policy' capture.

Corporate led globalization and neoliberalism have resulted in more stratified decision making, both devolving it downwards – for example to new parliaments or via subsidiarity, and coordinating it upwards – as in bilateral and multilateral trade deals. The neoliberal era ushers in a new political geography of governance. We need to pay close attention to how corporate agency is differentiated at the local, national and supranational level. Stratification occurs horizontally as well, so that decision making and power flow out from the state to private actors. Private actors (and some others) are invited into the state to make policy. It is no longer enough to think about corporations only as attempting to influence policy. In reality much decision-making power has been directly devolved to them while corporations are increasingly 'internal' to the state.

Take Home Messages

Corporations are highly conscious of their image, reputation and influence. As a result they plan how to interact with policy and governance strategically.

Corporate strategy can be followed by tracing corporate memberships and funding of a wide variety of organizations. This shows that corporations attempt to influence, dominate and 'capture' policy and a range of other domains, including science, the media and civil society – in part at least – as an indirect way to capture policy.

Corporations have had a measure of success in influencing policy in the area of licit products such as tobacco, alcohol, food and gambling. However, the more significant area in which they have been influential is in shaping the architecture of the policy process including how decisions are made. The 'partnership' approach is a key instance of this kind of influence.

Conflict of Interest Statement

David Miller and Claire Harkins have no conflicts of interest to declare.

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